

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: COTTON CONTRACTS

1. FOLLOWING IS TEXT OF LETTER DATED SEPTEMBER 24, 1975
FROM KENNARD O. STEPHENS, DIRECTOR, EXPORT PROGRAMS
DIVISION, COMMERCIAL EXPORT PROGRAMS, USDA TO MR. SUN-KI
LEE, ASSISTANT MINISTER FOR ECONOMIC COOPERATION, EPB.
ORIGINAL OF LETTER GIVEN TO MR. BONG SOO HAHN FOR DELIVERY
TO LEE.

2. QUOTE DEAR MR. LEE: IN RESPONSE TO YOUR REQUEST OF
SEPTEMBER 17, 1975, WE ARE HAPPY TO ADVISE THAT THE FINAL
10 MILLION DOLLARS OF THE 175 MILLION DOLLARS LINE OF CCC
CREDIT IS NOW AVAILABLE. WE ARE PREPARED TO ARRANGE FOR
REGISTRATION OF COTTON SALES IN LINE WITH THE PROCEDURE
OUTLINED IN YOUR LETTER OF ASSURANCES DATED APRIL 16, 1975.

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WE ARE NOT, HOWEVER, ABLE TO PROVIDE ANY ADDITIONAL CREDIT FOR THE OUTSTANDING BALANCE OF PERIOD II SALES ON ANNEX A. THE BUDGET FOR CCC CREDIT IN FISCAL 1976 IS FULLY COMMITTED AND WE HAVE BEEN UNABLE TO CONSIDER ANY REQUESTS SINCE AUGUST 6, 1975. WE HAVE NO IDEA WHEN OR IF WE WILL BE ABLE TO OBTAIN ADDITIONAL FUNDS. WHILE WE ARE OPTIMISTIC, WE EXPECT THAT ANY INCREASE WILL BE SMALL.

IT MUST BE RECOGNIZED THAT WE HAVE ALREADY COMMITTED NEARLY 30 PERCENT OF OUR EXISTING BUDGET TO FINANCING OF COTTON, WHEAT AND TALLOW TO KOREA. THIS IS MORE THAN 4 TIMES THAT PROVIDED TO ANY OTHER COUNTRY. FURTHER, WE HAVE REQUESTS FROM OTHER COUNTRIES TOTALLING MORE THAN 4 BILLION DOLLARS ON WHICH WE ARE UNABLE TO ACT AT PRESENT.

IN VIEW OF THESE DIFFICULTIES WE MUST URGE THAT YOUR GOVERNMENT MAKE EVERY EFFORT TO PROVIDE OR TO LOCATE PRIVATE FINANCING FOR THE ESTIMATED 45 MILLION DOLLARS OF ANNEX A CONTRACTS NOT COVERED BY CCC CREDIT. WE BELIEVE THAT IT IS CURRENTLY POSSIBLE TO OBTAIN PRIVATE FINANCING AT INTEREST RATES SOMEWHAT HIGHER THAN THE 2 PERCENT OVER THE LIBAR RATE THAT YOUR GOVERNMENT HAS SET AS A CEILING. AS YOU KNOW, THE NAC--WHICH MUST CONCUR IN ANY ADDITIONAL CCC CREDIT--IS UNDER THE IMPRESSION THAT THE U.S. GOVERNMENT WOULD PROVIDE 175 MILLION DOLLARS AND THE KOREAN GOVERNMENT THE BALANCE

TO OPEN UP LETTERS OF CREDIT ON ALL ANNEX A CONTRACTS. WITH THE EXTENSION OF THIS FINAL 10 MILLION DOLLARS IN FINANCING, THE U.S. GOVERNMENT COMPLETES ITS OBLIGATION.

WE DEEPLY APPRECIATE THE CONSCIENTIOUS EFFORT OF THE GROK TO DATE TO LIVE UP TO THE ASSURANCES, DESPITE THE VERY FORMIDABLE PROBLEMS ENCOUNTERED. WE SINCERELY HOPE THAT YOU WILL BE ABLE TO PROVIDE OR OBTAIN SUFFICIENT FINANCING FOR THE STILL OUTSTANDING PERIOD II CONTRACTS AND THAT WE WILL BE ABLE TO OBTAIN ADDITIONAL FUNDS TO SUPPLEMENT YOUR EFFORTS TO TAKE CARE OF SALES MADE AFTER THESE COVERED BY THE ASSURANCES. UNQUOTE. KISSINGER

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